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EAST
SULLIVAN
MINES LIMITED

1969

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Head Office

Suite 2500 – B.C.N. Building
500 Place d'Armes
Montreal 126, Quebec

*Les actionnaires qui
préféreraient recevoir ce rapport
en français sont priés
de communiquer avec le
secrétaire de la compagnie.*

AR26

MARCH 15th, 1965

AN APPRAISAL

EAST SULLIVAN MINES LTD.

Capital Structure

Common \$1 p.v.

Authorized
4,000,000

Issued
4,000,000

CONCLUSIONS

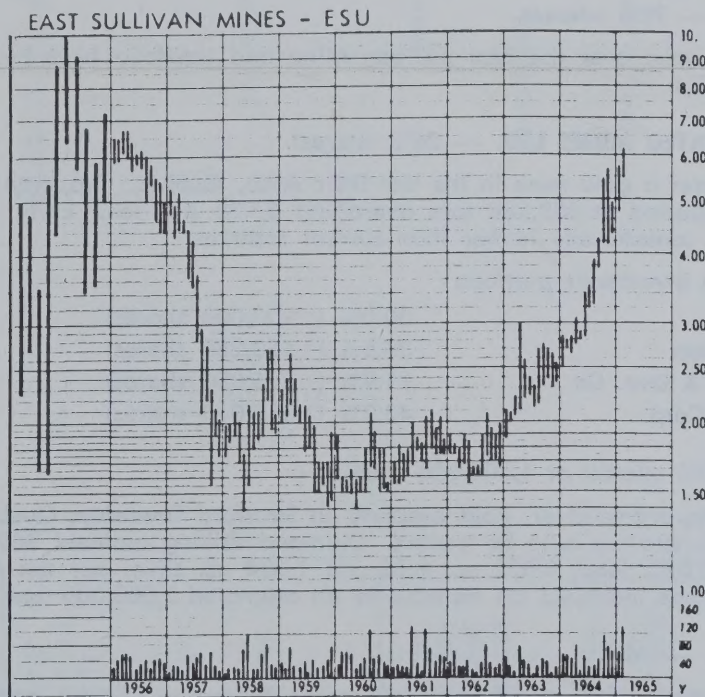
The original mine at Val D'or will soon exhaust its reserve and suspend operations. East Sullivan's investment policy is beginning to pay good returns and will continue to do so in the future.

Earnings for the first quarter of the 1965 fiscal year are indicated at \$0.19 per share and estimated to be in the \$0.50 - \$0.55 per share for the full year. As the effect of the new development at Cupra Mines, begins to show in 1966, earnings should almost double the 1965 figures.

Dividends should increase in proportion to earnings. As of August 31, 1964, equity was \$5.16 per share. Price earnings ratio based on 1964 earnings and current market price is 17:1. Based on indicated 1965 earnings the ratio would drop to 11.4:1 and on the estimated 1966 earnings to 6.3:1.

RECOMMENDATIONS

East Sullivan, which has been in a period of relatively low earnings and low dividends is now entering a period of major earning increases. This should be reflected in the market place in a large measure. In view of the current market (\$5.90) and the projected increases in earnings the securities appear destined for major appreciation.



The rising price trend of the shares, in view of the better outlook for earnings, indicates a possible return to the \$7-\$10 levels of 1951-55.

Chart - Courtesy of The Graphoscope.

COMPANY:

Controlled by the "Beauchemin group" which also controls Sullivan Consolidated, Quebec Lithium, Cupra, Hastings, Nigadoo, Federal Metals Corp. and other smaller companies. Sullivan Consolidated Mines Limited holds a 36.5% interest in East Sullivan Mines Ltd.

Company operates as a holding company whose major asset is its holdings in Sullico Mines Ltd. (98%) which holds interest in all the group operations and participates in its exploration activities.

The merger with Quebec Copper Corporation to form Sullico Mines Limited in 1960, provided tax write-offs amounting to \$3,072,500. Sullico took over the East Sullivan Mine and the investment portfolio of East Sullivan Mines Ltd.

EARNINGS AND DIVIDENDS

	1965 1st Quarter	1964	1963	1962	1961
Earned per share	\$0.19	\$0.33	\$0.22	\$0.33	\$0.156
Dividends paid		\$0.29	\$0.15	\$0.10	\$0.10
Working capital - \$8,327,916					
Equity per share (Aug. 31, 1964) - \$5.16					

ORE RESERVES

At August 31, 1964, reserves were reported at 1,177,000 tons grading 0.70% copper, 0.19% zinc, 0.005 oz. gold and 0.14 oz. silver per ton. These are sufficient for approximately one years operation at current production rate.

OUTLOOK

The original East Sullivan mine will shortly exhaust its ore reserves and suspend operations. This will have little effect on earnings as the major portion of its income is derived from its portfolio earnings.

Profits from Hastings Mining and Development Co. Ltd. have resulted in increased earnings in 1964 and will continue throughout 1965. The Cupra mine, which is scheduled for production in September, 1965, will show high earnings in 1966 and with a 60% direct and 10.68% indirect interest Sullico, and thus East Sullivan, will receive the major benefit.

No announcement has been made of the tonnage to be milled by Cupra but at a figure of 800 t.p.d. the Sullico interest could be equivalent to 75 cents per East Sullivan share.

With Hastings Mining and Development Co. Ltd. continuing to supply good income, encouraging new discoveries at Sullivan Consolidated, and its other investment income continuing at current levels earnings in 1966 should be in the \$0.90 - \$1.00 range and could be higher.

Dividend policy has approximated 70% of income and assuming this rate dividend payments could be \$0.60 - \$0.70 per share by 1966.

INVESTMENT HOLDINGS

SULLICO MINES LTD. — 98% interest.

Formed 1960 to take over the East Sullivan Mine and portfolio held by East Sullivan Mines Ltd. Purpose — tax benefits.

SULLIVAN CONSOLIDATED MINES LTD. — 26% interest.

Owens and operates a gold mine in the Val D'Or Area, Quebec. Property equipped with 750 t.p.d. mill. Ore reserves reported at 632,888 tons averaging \$7.35 per ton. Early 1965 reported new zone with indicated grade considerably higher than current reserves.

Also holds large investment portfolio

Cupra Mines	30.0% (900,000 shares)
East Sullivan Mines	36.5% (1,550,250 shares)
Hastings Mining & Dev. Co.	11.9% (595,050 shares)
Quebec Lithium Corp.	43.2% (1,012,015 shares)

Cupra Mines Ltd. 60% interest or 1,800,000 shares.

Developing a copper-zinc-silver, gold property in Stratford Township, Quebec. Property is 2½ miles south of Solbec mill where ore is to be treated. Diamond drilling outlined 869,940 tons grading 3.64% copper, 3.39% zinc, 0.57% lead, 0.022 oz. gold and 1.324 oz. silver per ton to a depth of 1,350 feet. Recent depth drilling has indicated an increase to an estimated 2,000,000 tons.

Quebec Lithium Corp. — 16%

Owens and operates a lithium property in Lacorne Township, Quebec, equipped with a 1,000 t.p.d. plant. Mill has operated at varying tonnages depending on lithium market. In 1961 started on a \$1,000,000 expansion programme.

Quebec Lithium hold a 24% interest in Hastings Mining & Development Co. Ltd.

Nigadoo Mines Ltd. — 52.66%

Following reorganizing of Nigadoo the Sullivan companies acquired approximately 79% interest. East Sullivan holds a ⅔ interest (52.66%) and Sullivan Consolidated ⅓ interest (26.33%).

Hastings Mining & Development Co. Ltd. — 41%

Owens 100% of Solbec Copper Mines Limited which owns and operates a base metal mine in Stratford Township, Quebec, equipped with 1,350 t.p.d. mill. Increase planned to handle Cupra Mines Ltd. shipments. Ore reserves reported to be 1,022,446 tons averaging 2.11% copper, 3.79% zinc, 0.51% lead, 0.019 oz. gold, and 1.333 oz. silver per ton.

APR 13 1964

EAST SULLIVAN MINES LIMITED
(No Personal Liability)

And subsidiary company SULLICO MINES LIMITED
(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

CONSOLIDATED STATEMENT OF OPERATIONS

For the six months ended February 29, 1964

	1964	1963	Comparative Figures
Revenue from Metal Recoveries			
Production	\$2,610,801.03		\$2,697,894.28
Less: Cost of realization and freight	762,331.40		857,496.85
		\$1,848,469.63	1,840,397.43
Deduct:			
Development and exploration expenses	2,257.28		13,041.08
Mining expenses	567,977.90		541,901.92
Milling expenses	361,787.53		362,094.11
General mine overhead	139,385.62		134,366.00
General administrative expenses	30,378.42		46,362.37
		1,101,786.75	1,097,765.48
Depreciation of buildings, plant and equipment		746,682.88	742,631.95
		22,793.35	22,112.99
		723,889.53	720,518.96
Other income:			
Dividends	73,063.30		13,579.10
Interest	126,157.76		148,486.60
Profit on sale of marketable investments	6,875.50		4,399.50
		206,096.56	166,465.20
Provision for Income Tax and Quebec Mining profit tax		929,986.09	886,984.16
		262,500.00	167,752.28
		667,486.09	719,231.88
		11,738.47	13,465.00
Deduct: Portion pertaining to minority interest			
Consolidated net profit for the period carried to Earned Surplus		\$ 655,747.62	\$ 705,766.88

AR26

EAST SULLIVAN MINES LIMITED
(No Personal Liability)

And subsidiary company SULLICO MINES LIMITED
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CONSOLIDATED BALANCE SHEET
as at February 29, 1964

LIABILITIES AND CAPITAL

	1964	1963 Comparative Figures
Current liabilities:		
Accounts payable and accrued expenses	\$ 126,515.07	\$ 122,655.75
Wages payable	30,508.05	27,041.49
Provision for income taxes and		
Quebec Mining profit tax	228,175.08	164,867.38
Short term loan	45,000.00	-
Minority Interests		
Capital Stock:		
Authorized - 4,500,000 shares	\$ 430,198.20	314,564.62
at \$1.00 par value	221,123.50	230,016.94
Issued and fully paid - 4,250,000		
shares at \$1.00 par value	4,500,000.00	
Premium on shares issued	4,250,000.00	
	700,503.15	
Earned Surplus:		
Balance as at August 31, 1963	4,950,503.15	4,950,503.15
Less dividends paid		
	9,177,251.58	
	722,500.00	
Add consolidated net profit for the		
period ended February 29, 1964	8,454,751.58	
	655,747.62	
Less excess of cost over book value		
of subsidiary shares held	9,110,499.20	
	498,128.97	
	8,612,370.23	8,467,016.78
	\$14,214,195.08	\$13,962,101.49

EAST SULLIVAN MINES LIMITED
(No Personal Liability)

And subsidiary company SULLICO MINES LIMITED
(No Personal Liability)

(Incorporated under the Quebec Mining Companies' Act)

CONSOLIDATED BALANCE SHEET
as at February 29, 1964

A S S E T S

Current assets:

Cash on hand and in bank	\$ 121,734.18
Guaranteed deposits	798,554.00
Short term loan	215,000.00
Marketable securities: Bonds	2,381,374.30
Bank, public utility and individual shares	558,241.48
Dividends receivable and accrued interest	91,985.18
Accounts receivable	14,161.19
Smelter concentrate settlements outstanding	82,335.22
Concentrates in stock pile, at smelter and in transit valued on basis of estimated net returns under sales contracts	1,234,859.81

Deferred:

Mining and milling supplies, valued at average cost	560,318.49
Prepaid expenses: deposits, insurance taxes, etc.	10,910.58

Investment at cost:

Listed securities	2,715,097.90
Unlisted securities	822,579.41
Mortgages and loans	3,438,200.00

Fixed assets:

Mining properties at cost	626,597.50
Buildings, plant and equipment at cost	206,559.27
Less accumulated depreciation	

Outside exploration expenditures less amount written off

1963
Comparative
Figures

	1964	1963
		Comparative
		Figures
	\$ 121,734.18	\$ 296,278.07
	798,554.00	1,228,554.00
	215,000.00	-
	2,381,374.30	2,216,124.80
	558,241.48	504,284.86
	91,985.18	80,357.21
	14,161.19	22,777.66
	82,335.22	284,071.44
	1,234,859.81	831,175.16
	\$ 5,498,245.36	5,463,623.20
	560,318.49	557,736.99
	10,910.58	32,719.16
	571,229.07	590,456.15
	2,715,097.90	2,459,293.90
	822,579.41	879,123.48
	3,438,200.00	3,481,487.39
	6,975,877.31	6,819,904.77
	340,348.35	340,548.35
	420,038.23	442,191.23
	408,456.76	305,377.79
	\$ 14,214,195.08	13,962,101.49

SULLIVAN MINING GROUP LTD.

AND

EAST SULLIVAN MINES LIMITED

COMBINED HIGHLIGHTS

	1969	1968 (in thousands)	1967
Production	23,916	20,685	12,633
Outside Exploration	1,123	810	792
Net Income	5,916	5,244	3,649
Net Income per share	\$0.90	\$0.80	\$0.56
Working Capital	16,944	15,692	14,622
Total Assets	39,261	37,515	35,388

The net income has been adjusted and is calculated on 6,571,032 shares as at September 2, 1969.



J. Jacques Beauchemin
President

Alexandre J. Montminy

Gendron Beauchemin

Albert Doyon

André Beauchemin
Executive Vice President

Réal J. Lafleur
Secretary Treasurer

J. Guy Gauvreau

Marc H. Dhavernas

Jean Beauchemin
Chairman

Lucien C. Béliveau
Vice President (Mines)

Paul F. McDonald

Jacques Gauvreau

P. Ernest Beauchemin

Claude Beauchemin

J. Ernest Laforce

André Latreille

A JOINT MEETING OF THE BOARD OF DIRECTORS
SULLIVAN MINING GROUP LTD.
AND
EAST SULLIVAN MINES LIMITED

President's Letter

TO SHAREHOLDERS

Last year there was completed an extensive reorganization and re-structuring of many of the "Sullivan Group" of companies. It was a year which also produced excellent financial results, as detailed in the accompanying reports.

A primary effect of the various corporate changes was the birth, on September 2, 1969, of Sullivan Mining Group Ltd. — an amalgamation of Sullico Mines Limited, Quebec Lithium Corporation (which had previously acquired all assets of Cupra Mines Ltd.) and Sullivan Mines Ltd. The latter company had earlier acquired assets of Hastings Mining and Development Co. Ltd., including Solbec Copper Mines Ltd.

Of the 8.4 million shares issued by Sullivan Mining Group Ltd., there are 4,675,000 held by East Sullivan Mines Limited — a number equivalent to the outstanding share capital of East Sullivan. Thus East Sullivan controls Sullivan Mining Group Ltd. and continues in the role of a holding company.

FINANCIAL RESULTS

The operating and earnings statements included in this report are as at August 31, 1969, before giving effect to the amalgamation, and are presented on the same basis as prior years, including consolidation of results of Sullico Mines Limited.

There are two balance sheets provided. One covers the 12-month period ended August 31, 1969, showing no effect of the amalgamation. A second balance sheet gives effect to the amalgamation and is provided so that shareholders will have the additional information necessary for proper comparison to balance sheets in future years.

It is important to note that the substantial profit shown in the first statements, includes a large non-recurring gain which is related to the reorganization. At the same time, the per share net profit is affected by the fact that there is 10% more shares outstanding than at the same period a year ago.

Generally, however, your company's favorable earnings performance has been enabled by continuous and satisfactory operations in all divisions, by strong metal prices, together with the non-recurring gain mentioned.

EXPLORATION, OPERATIONS

Included in this report is a review of the exploration interests and programs carried out on behalf of Sullivan Mining Group Ltd.

It is significant that, during the past three years particularly, our mineral search involvements have sharply increased. In the past year the exploration budget exceeded \$1 million, an outlay which your directors regard as more of an investment than an expense.

This year exploration will continue to be stressed. As a result of the exercising of the option with Mount Pleasant Mines Limited, and the introduction of Brunswick Tin Mines Limited as a new subsidiary, there will be a large part of our exploration budget allocated to the program to prove up the grade and tonnage in this important tin-base metal property.

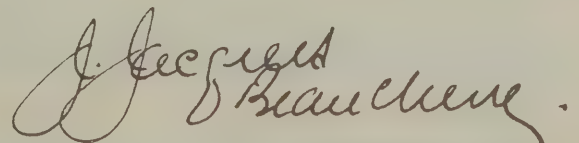
During the coming year it is also anticipated that production will commence at two other Sullivan Mining Group Ltd. subsidiaries — D'Estrie Mining Company Ltd. and Weedon Mines Ltd. Both these developments are in the Eastern Townships, near the mill serving our Solbec and Cupra divisions.

In summary, your directors believe that the reorganization has had and will have positive results for shareholders. For East Sullivan and Sullivan Mining Group Ltd. — whose executive offices were recently moved to 500 Place d'Armes — management looks forward to more years of achievement and growth in the Canadian mining industry.

At the same time, however, we are mindful that there are features in changing taxation policies that could have detrimental effect on this industry and consequently on the communities and areas where mines are located and sought. We hope this will not be the case, and that governments will recognize the special risks and requirements that are particular to this great industry and will temper their tax changes accordingly.

The directors are appreciative of the valued efforts of our employees and the support of the shareholders.

On behalf of the Board,



President

November 17, 1969

Report on Operations

This report reviews the producing operations of divisions in Sullivan Mining Group Ltd., and at Nigadoo River Mines Limited.

Also covered is development progress at Weedon Mines Ltd. and D'Estrie Mining Company Ltd., both subsidiaries of Sullivan Mining Group Ltd.

In presenting this report, I wish to express my appreciation to Messrs. R. B. Gosselin and Claude Bourgoin, respectively manager and general superintendent of the Eastern Townships operations, to Mr. Martin Gauvin, manager at Nigadoo River Mines and to all employees for their loyal services.

CUPRA DIVISION

Some 232,760 tons of ore averaging 2.73% copper, 0.48% lead, 3.65% zinc, 0.016 oz. of gold and 1.177 oz. of silver were mined and treated.

The ore reserves at year-end were 532,000 tons averaging 2.49% copper, 0.75% lead, 5.52% zinc, 0.014 oz. of gold and 1.149 oz. of silver per ton.

The development work performed during the year on the 1900- and 2050-ft. levels has opened up a second ore shoot, located 300 feet northeast of the main ore shoot, which contains 57,000 tons between those two horizons. Drifting done so far on 2200-, 2350- and 2500-ft. levels is proving the continuity of the main zone but has not yet reached the second zone. Thus no tonnage in the total ore reserves figures has been attributed to that ore shoot below the 2050-ft. level.

SOLBEC DIVISION

Ore extraction was 196,961 tons averaging 1.16% copper, 0.95% lead, 4.41% zinc, 0.024 oz. of gold and 2.069 oz. of silver.

The ore reserves at year-end were 102,000 tons averaging 1.05% copper, 0.99% lead, 4.28% zinc, 0.024 oz. of gold and 2.197 oz. of silver per ton.

As indicated by the reserves figure, the mine will terminate its operations during 1970.

NIGADOO RIVER MINES LIMITED

A total of 321,397 tons of ore was milled with an average grade of 0.35% copper, 2.57% lead, 2.54% zinc and 3.71 oz. of silver per ton.

The ore reserves were increased by 496,835 tons, to 2,519,690 tons at year-end, averaging 0.25% copper, 2.66% lead, 2.66% zinc and 3.47% oz. of silver. Out of the 2.5 million tons of reserves, 431,283 tons were developed in a new zone, called the "C" zone. Additional tonnage is expected to be developed in this zone during the year. Drifting may be carried out on a third zone, called the "Anthonian" zone, where surface and underground diamond drilling has returned good grade intersections.

D'ESTRIE MINING COMPANY LTD.

Shaft sinking has been completed at a depth of 4699 feet. Thirteen levels will be served by this shaft.

A major development program to open up the ore has started. The crosscuts have reached the ore zone on the first four levels, at the horizons of 2650, 2800, 2950 and 3100 feet. Since drifting has just commenced, the dimensions of the orebody are still unknown and thus the ore reserves can not yet be stated as "proven". Nevertheless, diamond drilling indicates, as a conservative figure, 380,000 tons averaging 3.03% copper, 0.66% lead, 3.41% zinc, 0.013 oz. of gold and 1.05 oz. of silver across an average true width of 7.5 feet, from the 2500- to the 3100-ft. levels.

With the completion of the shaft, drifting on the 3575-ft. level was resumed. At the time of writing this report, another 230 feet of ore has been opened up. With the development done in 1967-68, drifting has exposed a total ore length of 748 feet, averaging 3.20% copper, 0.34% lead, 2.06% zinc, 0.012 oz. of gold and 0.877 oz. of silver across an average true width of 7.1 feet.

The face is still in the mineralized zone. At this horizon, drifting so far indicates 700 tons per vertical foot.

This preliminary data suggests that the orebody will be at least as important as the Cupra.

WEEDON MINES LTD.

The shaft, inclined at 48°, has been deepened for a distance of 990 feet. Five stations were cut at the following horizons: 1450, 1600, 1750, 1900 and 2050 feet.

Exploration diamond drilling, conducted from the various stations, cut good grade intersections. The particulars are given in the exploration manager's report. Development work is just starting on the newly-cut levels.

An active program of construction was undertaken to accommodate the requirements of the mine. Major

items on this program included: Elevation of the headframe and construction of an ore and a waste bins; Hoist room and installation of a Nordberg 10' x 6'6" double drum hoist; Erection and furnishing of an office-warehouse-dry-shop complex.

L.C. Beliveau Eng.

November 17, 1969.

Vice-President (Mines)

PRODUCTION

Metals	Solbec Division pounds	Cupra Division pounds	Nigadoo River Mines Limited pounds	Total pounds	Total value
Copper	3,731,543	11,982,533	1,794,923	17,508,999	\$12,066,618
Lead	2,316,304	711,677	13,104,672	16,132,653	2,304,757
Zinc	14,213,332	12,550,357	13,021,757	39,785,446	5,499,276
Gold	2,599 oz	2,487 oz	—	5,086 oz	224,504
Silver	231,857 oz	211,733 oz	891,037 oz	1,334,627 oz	2,344,604
Cadmium	70,168	59,583	180,316	310,067	1,162,326
Bismuth	—	—	64,837	67,837	314,205
					<u>\$23,916,290</u>

Review of Exploration

Exploration activities of Sullico Mines Limited, on behalf of the "Sullivan Group" are covered in this report for the fiscal year ended August 31, 1969. All the work performed during that period was aimed at locating base metal deposits and was concentrated in a few areas of Quebec and New Brunswick.

The expenses for exploration for the period reached a total of \$1,122,895. This amount includes the expenses on the Mount Pleasant property of Brunswick Tin Mines Limited (\$490,257), but does not comprise the amount spent on the Weedon Mines property (\$699,706). The latter are now considered to be expenditures made in preparation for production.

Of the total expenses, an amount of \$677,294 has been spent on subsidiary companies' properties where exploration has reached a more advanced stage. They are: the Mount Pleasant property of Brunswick Tin Mines Limited, the property of Chester Mines Limited in the Newcastle area of New Brunswick, the Gaspé property of Federal Metals Corporation and the property of Courvan Mining Company Limited in northwestern Quebec.

The following projects were shared with companies outside the Sullivan Group and Sullico's part of the exploration expenses was \$216,688: the Eastern Township project of Clinton Copper Mines Limited, with Dome Exploration (Canada) Limited; the Gaspé project of Sullipek Mines Inc., with Terra Nova Explorations Ltd., Patino Mining Corporation and Hudson Bay Exploration & Development Company Limited; and three joint projects with Soquem (Société Québécoise d'Exploration Minière) in the Province of Quebec.

Results on the most interesting properties follow:

BRUNSWICK TIN MINES LIMITED:

The option on the property of Mount Pleasant Mines Limited, located in the township of Charlotte in New Brunswick, has been exercised and the property transferred to Brunswick Tin Mines Limited which is owned in the proportion of 78 percent by Sullivan Mining Group Ltd. Diamond drilling operations have been continued all year over the property; 33,532 feet have been drilled, all in the area of the Fire Tower Zone. This drilling has established the presence of two types of mineralization:

- A) Copper — zinc — tin mineralization contained in a network of fractures in silicified porphyritic rocks south of the Fire Tower Zone. A preliminary calculation indicates close to a million tons averaging about 1% copper, 2% zinc, 0.35% tin, and 0.1% bismuth, with half an ounce of silver per ton, over an average width of 7.2 feet.

- B) Tungsten — molybdenum — bismuth mineralization occurring in wide zones of fractures in a fine grained porphyry lying under the porphyritic rocks mentioned above. The main zone of tungsten — molybdenum — bismuth is indicated by five drill holes near the west margin of the porphyry. The indicated length is about 1000 feet in a north south direction, with a nearly vertical dip. The width could be between 200 and 250 feet. The average grade is about 0.2% tungsten, 0.1% molybdenum and 0.1% bismuth. Another narrower zone of the same type of mineralization is indicated by several holes a few hundred feet to the northeast of the first one. Both zones are not yet defined along the strike and are open at depth. Tonnage indicated so far is around ten million tons.

Some laboratory metallurgical tests have recently been initiated in an attempt to establish the economic value of both types of mineralization. The first results seem favourable. It is obvious that if marketable concentrates could be obtained with reasonable recoveries, the tungsten — molybdenum — bismuth zones would become very important. The geological setting in which they occur clearly points to the possibility of finding, relatively easily, several tens of millions of tons.

An adit was started in July from the west side of the Fire Tower zone at an altitude of 750 feet, to explore and evaluate the mineral occurrences of this area of the property. Total advance of 2,250 feet has been made to this date. A second adit will soon be started 150 feet above the first one. (Mount Pleasant rises 1,175 feet above sea level). Altogether, a program of some 8,000 feet of underground development is contemplated. Surface diamond drilling is also continuing with two rigs.

There was no work done so far by Sullico on the "North Zone", where most of the exploration by the predecessors was concentrated. Several other indications of mineralization also remain to be further explored.

CHESTER MINES LIMITED:

Fourteen holes were drilled for a total of 15,456 feet, during the period, on the downward extension of the disseminated copper zones on the property of Chester Mines Limited in New Brunswick. The latest drill holes indicate that these mineralized zones are still present at a depth of 1,900 feet.

An estimate of the tonnage of possible underground ore (west of section 3 N.W.) gives 3.8 million tons of 1.58% copper before dilution. The thickness of the zones varies between 8 and 52 feet. This tonnage

lies outside the limits of possible open pit operations that would give a tonnage of around 4.3 million tons of 0.75 % copper, 0.36 % lead and 0.89 % zinc reported in last year's annual report.

WEEDON MINES LTD.:

The deepening of the old No. 4 inclined shaft on the Weedon property started at the end of October 1968. The vertical depth reached on October 31 of this year was 2,115 feet. Sinking has now been stopped temporarily at the depth of 2,132 feet.

Diamond drilling from the stations in the shaft has outlined a block of ore at a depth of 1,600 feet containing 242,000 tons with a grade of 1.86 % copper and 0.87 % zinc, after 20 % dilution.

Exploration work is now under way to complete the evaluation of the various blocks of ore already indicated in the lower part of the old mine, that is between the 1,050 and 1,325 level. The probable reserves indicated so far, inclusive of the 1,600 block, are 345,000 tons at 1.74 % copper and 0.50 % zinc, after 20 % dilution.

Intersections of massive sulphides have been obtained in several drill holes below the 1,750 level but no ore occurrence has been sufficiently explored at that depth to contribute to reserves. Diamond drilling is continuing.

Apart from the exploration work being done, development has already been started to prepare for mining the drill indicated ore. It is expected that regular ore shipments to the Cupra concentrator will be started before the end of next year at a daily rate of about 500 tons.

CLINTON COPPER MINES LTD.:

Exploration work during the period on the Clinton Copper Mines' property near Lake Megantic, Quebec has indicated a new sulphide lens of similar tonnage

as the "C" or "F" zones, but of slightly better grade. This new lens, zone "O", contains 280,000 tons with a grade of 2.51 % copper, 2.26 % zinc, 0.77 % lead and 0.72 ounces of silver per ton (after 20 % dilution). It has an average width of 13.4 feet.

The total tonnage of zones "C", "F" and "O" is 970,000 tons of 2.1 % copper (after 20 % dilution). The average width is 11.6 feet. All the lenses of massive sulphides on the property have a dip of 60 to 70 degrees. They are spread over a distance of four miles.

Drilling is continuing in the area of zones "A" and "B". These two zones consist of a nearly continuous band of massive sulphides extending over a length of about 3,000 feet. Previous shallow drilling had shown the width of the sulphide band to be between a few inches and 6 feet, with a grade varying between a few tenths of one percent and nearly four percent in copper. Drilling at greater depth in September and October of this year on the "A" zone has shown some improvement in both width and grade. The last four holes, the deepest yet, intersected the ore at a vertical depth of about 700 feet and showed an average grade of 2.42 % copper and 2.92 % zinc over an average true width of 8.0 feet. These holes are 200 feet apart.

OTHER EXPLORATION PROGRAMMES:

Exploration programmes have been carried out on a total of 26 properties during the period. Ten of these were tested by diamond drilling. Promising results were obtained at several locations and work is continuing. Some other projects have been abandoned while new ones are being tackled in the continuing search for new ore.



November 21, 1969

Exploration Manager

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS

	August 31, 1969	August 31, 1968
CURRENT ASSETS:		
Cash on hand and in bank	\$ 74,710	\$ 47,924
Time deposits	2,713,019	1,855,534
Accounts receivable:		
Affiliates	131,902	22,033
Subsidiaries	—	9,740
Others	86,449	15,683
Marketable securities at cost — (Note 5 and Annex 1):		
Bonds	1,640,427	1,961,090
Shares	999,640	799,640
Recoverable taxes and mining duties — (Note 9)	39,440	12,750
Accrued interest	14,568	25,357
Mining and milling supplies:		
At average cost	12,610	36,392
At possible realization value	28,591	44,720
Prepaid expenses	4,569	7,141
Special refundable tax	1,748	16,471
	<u>5,747,673</u>	<u>4,854,475</u>
INVESTMENTS IN AFFILIATED COMPANIES AT COST (Note 5 and Annex 1):		
Shares	6,000,155	3,834,182
Other shares, debentures and income bonds	6,823,155	823,155
Loans and advances	39,410	12,210
	<u>12,862,720</u>	<u>4,669,547</u>
INVESTMENTS IN SUBSIDIARY COMPANIES AT COST — Not consolidated Annex 1 (Notes 3 and 5):		
Shares	862,927	683,567
Loans and advances	2,516,400	7,878,560
	<u>3,379,327</u>	<u>8,562,127</u>
OTHER DEBENTURES AND SECURITIES at cost	<u>192,323</u>	<u>100,241</u>
FIXED ASSETS:		
Mining claims	201	201
Buildings, plant and equipment at mine at cost, reduced by the proceeds from sales, less accumulated depreciation (1969 and 1968 — \$192,540) (Note 4)	7,050	46,375
Other equipment at cost, less accumulated depreciation (1969 — \$71,132) (1968 — \$42,858)	154,711	90,895
	<u>161,761</u>	<u>137,270</u>
	<u>161,962</u>	<u>137,471</u>
OUTSIDE EXPLORATION EXPENDITURE, less amounts written off	<u>619,448</u>	<u>577,173</u>
	<u>\$22,963,453</u>	<u>\$18,901,034</u>

Approved on behalf of the Board of Directors:

J. JACQUES BEAUCHEMIN

ANDRÉ BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

As at August 31, 1969

(With corresponding figures as at August 31, 1968)

LIABILITIES

	August 31, 1969	August 31, 1968
CURRENT LIABILITIES:		
Accounts payable:		
Affiliates	\$ 145,254	\$ 57,465
Subsidiaries	52,735	296
Others.	—	69,995
Provision for Quebec Mining tax in 1967, less prepayments.	—	11,000
	<u>197,989</u>	<u>138,756</u>
MINORITY INTEREST IN SUBSIDIARY	<u>284,345</u>	<u>231,110</u>
CAPITAL STOCK — (Note 1):		
Authorized —		
4,675,000 shares without nominal or par value		
Issued and paid —		
4,675,000 shares	4,250,000	4,250,000
CONTRIBUTED SURPLUS — Premium on shares issued, as per statement 3 . . .	700,503	700,503
RETAINED EARNINGS as per statement 3	<u>17,530,616</u>	<u>13,580,665</u>
SHAREHOLDERS' EQUITY	<u>22,481,119</u>	<u>18,531,168</u>
	<u>\$22,963,453</u>	<u>\$18,901,034</u>

We have examined the consolidated balance sheet of East Sullivan Mines Limited and its subsidiary, Sullico Mines Limited, as at August 31, 1969 and the consolidated statements of earnings, retained earnings, contributed surplus and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Companies, these financial statements, when read with the notes thereto, present fairly the financial position of the Companies as at August 31, 1969 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as mentioned in note 5 of the notes to financial statements.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

Montreal, October 28, 1969.

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

As at August 31, 1969

NOTES TO FINANCIAL STATEMENTS

Note 1

Supplementary Letters Patent have been obtained on August 18, 1969 giving effect to the following:

- A) Decrease in the capital of the company from \$4,500,000 to \$4,250,000 by the cancellation of 250,000 unissued shares of a par value of \$1.00.
- B) Subdivision and conversion of the 4,250,000 issued shares of a par value of \$1.00 each of the capital stock of the Company into 4,675,000 shares without nominal or par value.

Note 2

Under date of September 2, 1969, Letters Patent were granted confirming the amalgamation of Sullico Mines Limited, Sullivan Mines Ltd. and Quebec Lithium Corporation under the name of Sullivan Mining Group Ltd. — Groupe Minier Sullivan Ltée. The amalgamation agreement provided that each share of \$1.00 par value of Sullico Mines Limited were convertible into one no par value share of the amalgamated company.

Note 3 — Investments in Subsidiaries not consolidated

The assets and liabilities and income and expenses of the four partly-owned subsidiary companies, Nigadoo River Mines Limited, Brunswick Tin Mines Limited, Weedon Mines Ltd. and D'Estrie Mining Company Ltd., have not been consolidated since in all of them there are substantial minority interests. The investment in these companies is carried at cost.

As at August 31, 1969 the share of the Company in the deficit of Nigadoo River Mines Limited is \$379,733 after payment of \$600,000 of interest on First Mortgage Income Bonds as shown in the annexed statement of earnings.

The investment in the other three partly owned subsidiary companies, which are in the development state, is carried at cost as stated above.

Note 4

The proceeds from sales of mine plant and equipment have been credited against the cost of fixed assets. It is the intent of management to continue this procedure in recording sales of this kind until such time as the proceeds exceed the cost, the excess then being credited to earnings. Furthermore, management believes that final realization of the remaining assets will exceed the net value appearing on the balance sheet.

Note 5

As at August 31, 1969 the investments are shown at cost whereas at August 31, 1968 they were shown at market.

Note 6

Where necessary certain items appearing on the balance sheet and statement of earnings as at August 31, 1968 were reclassified to make them comparative with the 1969 figures.

Note 7

The amounts of the dividends received and included in non-recurring income have been determined as follows:

A) Value placed on 339,263 shares of Sullivan Mines Ltd.	\$ 2,894,657	
Cash	12,477	\$ 2,907,134
DEDUCT:		
Cost of Company's investment in Hastings Mining and Development Co. Ltd.		750,792
		<u>\$ 2,156,342</u>
B) Cash dividend received	\$ 1,903,794	
DEDUCT:		
Cost of Company's investment in Cupra Mines Ltd.	165,000	
		<u>\$ 1,738,794</u>

Note 8 — Pending Legal Procedures

Legal proceedings have been instituted against Sullico Mines Limited whereby the Plaintiffs are claiming 4/5 of the 340,000 escrowed shares of Sullipek Mines Inc. to be issued and allocated to Sullico Mines Limited and alternately failing delivery of the claimed shares, the Plaintiffs have claimed the sum of \$1,000,000 of damages against Sullico Mines Limited. The litigation has arisen from an option granted by Sullico Mines Limited to Terra Nova Explorations Ltd. on certain claims situated in the Gaspé area of the Province of Quebec.

These proceedings have been contested by Sullico Mines Limited and according to the Company's counsel, these proceedings are ill-founded in fact and in law.

Note 9 — Contingent Liabilities

The financial statements do not take into account the following:

- A) The Company is contesting an assessment for additional tax on capital from the Minister of Revenue for the years 1965 to 1968 amounting to \$46,936 together with the subsequent year.
- B) An assessment for additional Quebec mining profits tax amounting to \$38,359 that the Company is contesting

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended August 31, 1969

(With corresponding figures as at August 31, 1968)

		<u>August 31, 1969</u>	<u>August 31, 1968</u>
INCOME:			
Dividends received:			
Subsidiary (Cupra Mines Ltd.)	\$ 1,440,000		\$ 1,920,000
Affiliated companies	490,665		1,603,655
Others.	<u>51,672</u>		<u>47,924</u>
		\$ 1,982,337	<u>3,571,579</u>
Interest:			
On first mortgage income bonds received from subsidiary not consolidated (Nigadoo River Mines Ltd.)	600,000		—
Affiliated companies	131,096		—
Others.	<u>201,644</u>		<u>297,028</u>
		932,740	297,028
Profit on sale of bonds.		<u>31,843</u>	<u>16,803</u>
		2,946,920	<u>3,885,410</u>
EXPENSES:			
General administration	140,376		107,140
Depreciation	<u>31,771</u>		<u>14,867</u>
		172,147	122,007
		2,774,773	<u>3,763,403</u>
OTHER EXPENSES:			
Outside exploration expenditures written off	119,710		188,553
Expenses of closing down mine	11,299		18,879
Loss on sale of fixed assets.	<u>636</u>	131,645	<u>4,269</u>
		2,643,128	<u>211,701</u>
			3,551,702
NON-RECURRING INCOME:			
Dividends received from companies in process of winding-up (note 7)			
Hasting Mining and Development Co. Ltd.	2,156,342		
Cupra Mines Ltd.	1,738,794		
Gain on reimbursement of demand note by a subsidiary not consolidated (Nigadoo River Mines Limited)	<u>49,773</u>	3,944,909	—
		6,588,037	3,551,702
DEDUCT: Portion pertaining to minority interests.		<u>87,600</u>	<u>47,617</u>
CONSOLIDATED NET EARNINGS FOR THE YEAR,			
carried to Retained Earnings		<u>\$ 6,500,437</u>	<u>\$ 3,504,085</u>

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

CONSOLIDATED RETAINED EARNINGS AND CONTRIBUTED SURPLUS

As at August 31, 1969

(With corresponding figures at August 31, 1968)

	August 31, 1969	August 31, 1968
RETAINED EARNINGS:		
Balance at the beginning of the year	\$13,580,665	\$12,627,269
ADD:		
Consolidated net earnings for the year	6,500,437	3,504,085
Income tax paid and recoverable for 1967	—	1,091
Prior years' income tax adjustments	—	(248)
Net adjustment from acquisition of shares in subsidiary company	(486)	(1,532)
	<u>20,080,616</u>	<u>16,130,665</u>
DEDUCT:		
Dividends paid	2,550,000	2,550,000
BALANCE AS AT AUGUST 31, carried to Balance Sheet	<u>\$17,530,616</u>	<u>13,580,665</u>
CONTRIBUTED SURPLUS:		
BALANCE AS AT AUGUST 31	<u>\$ 700,503</u>	<u>\$ 700,503</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended August 31, 1969

(With corresponding figures as at August 31, 1968)

	August 31, 1969	August 31, 1968
Working capital at beginning of the year	\$ 4,796,458	\$ 5,753,967
SOURCE OF FUNDS:		
Net consolidated earnings for the year	\$ 6,500,437	
LESS:		
Dividend in shares received from Hastings Mining and Development Co. Ltd. (in process of winding-up)	2,143,865	4,356,572
Portion of earnings:		
Minority interests in subsidiary	87,600	47,617
Depreciation	31,771	14,867
Sales of fixed assets — net	41,912	50,497
Reimbursement of advances by subsidiaries and affiliated companies	5,334,960	819,000
Cost of investment in Cupra Mines Ltd. recovered	165,000	—
Income tax paid and recoverable	—	1,091
Special refundable tax	—	18,380
	<u>10,017,815</u>	<u>4,455,537</u>
APPLICATION OF FUNDS:		
Dividends paid to shareholders	2,550,000	2,550,000
Dividends paid to minority interests	53,039	35,758
Purchases of shares and debentures in affiliated companies	—	431,314
Loans and advances to subsidiaries	—	1,967,000
Loans and advances — others	—	2,660
Purchases of shares in subsidiary companies	348,281	296,011
Purchases of mining shares and debentures	5,682	51,663
Additions to fixed assets	98,173	31,592
Outside exploration expenses	42,275	21,940
Acquisition of first mortgage income bonds	6,000,000	—
Outside exploration expenses reimbursed by debentures	86,400	—
Excess of market value over cost of securities shown as current assets at August 31, 1968 — (note 5)	80,739	24,860
Adjustments of prior years' income tax	—	248
	<u>9,264,589</u>	<u>5,413,046</u>
Increase in working capital	<u>753,226</u>	<u>(957,509)</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 5,549,684</u>	<u>\$ 4,796,458</u>

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

SCHEDULE OF INVESTMENTS

As at August 31, 1969

Annex I

			Cost	Market value
MARKETABLE SECURITIES:				
Bonds			\$ 1,640,427	\$ 1,671,202
SHARES:				
Banks			\$ 421,988	\$ 568,185
Public utilities			316,415	279,839
Industries			28,277	35,026
Trust and financial institutions			32,960	32,314
Mutual funds			200,000	199,600
			<u>\$ 999,640</u>	<u>\$ 1,114,964</u>
SHARES:				
AFFILIATED COMPANIES:		Shares held	Market price	
Sullivan Mines Ltd.	1,540,413		\$ 4,941,886	\$11,553,097
Quebec Lithium Corporation	392,350	\$3.50	786,682	1,373,225
Courvan Mining Co. Ltd.	1,509,932	.25	271,587	377,483
			<u>\$ 6,000,155</u>	<u>\$13,303,805</u>
OTHER SHARES, DEBENTURES AND INCOME BONDS:				
AFFILIATES:				
Peninsula Metals Corporation	200,000*		\$ 19,771	No market value
Eastern Explorers Corporation	366,667*		12,194	
Federal Metals Corporation	1,283,770**-1		618,976	
Brompton Mines Ltd.	400,007**-2		1,207	
Chester Mines Limited	264,757**-3		17,107	
			<u>669,255</u>	
DEBENTURES:				
Chester Mines Limited, 6½%, August 31, 1974	\$ 163,500		153,900	
FIRST MORTGAGE INCOME BONDS:				
Nigadoo River Mines Ltd., 9%, August 31, 1976, interest payments subject to operating profits	\$ 6,666,667		6,000,000	
			<u>\$ 6,823,155</u>	
LOANS AND ADVANCES:				
AFFILIATES:				
Chester Mines Limited			\$ 31,500	
Brompton Mines Ltd.			4,000	
Eastern Explorers Corporation			2,060	
Peninsula Metals Corporation			1,850	
			<u>\$ 39,410</u>	
OTHER SHARES AT COST:				
SUBSIDIARIES, UNCONSOLIDATED				
Nigadoo River Mines Ltd.	1,800,000		\$ 284,544	No current market
Brunswick Tin Mines Limited	1,560,000		234,000	
Weedon Mines Ltd.	1,750,000**-4		225,006	
D'Estrie Mining Company Ltd.	1,193,710		119,377	
			<u>\$ 862,927</u>	
LOANS AND ADVANCES:				
SUBSIDIARIES:				
D'Estrie Mining Company Ltd.			\$ 1,774,000	
Brunswick Tin Mines Limited			141,400	
Weedon Mines Ltd.			601,000	
			<u>\$ 2,516,400</u>	
SUNDRIES:				
SHARES:				
Sullipek Mines Inc.	375,000**-5		\$ 34,343	No current market value
Adelaide Mines Ltd.	16,666 4/6		1,010	
Clinton Copper Mines Ltd.	369,602		—	
Clinton Copper Mines Ltd., 4% preferred	74,263		69,350	
Corpex, 7% preferred	122		1,220	
			<u>105,923</u>	
OTHER DEBENTURES:				
Sullipek Mines Inc. 10% May 15, 1973.				
Interest payments subject to operating profits	\$ 108,000		86,400	
			<u>\$ 192,323</u>	

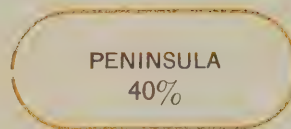
*All pooled shares

**Including the following pooled shares: 1-135,870; 2-400,000; 3-93,750; 4-250,000; 5-165,000

EAST **SULLIVAN** MINES LIMITED



Affiliated Companies



**SUBSIDIARY COMPANIES
CONSOLIDATED**



**SUBSIDIARY COMPANIES
NOT CONSOLIDATED**



EAST
SULLIVAN
MINES LIMITED

GROUPE MINIER
SULLIVAN
MINING GROUP L^{TÉE}
LTD.

**Combined
Financial
Statements**

As at September 2, 1969

SULLIVAN MINING GROUP LTD.

and

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

ASSETS

CURRENT ASSETS:

Cash	\$	391,571	
Term deposits and accrued interest		7,134,704	
Marketable securities at cost — Annex 1		5,196,687	
Accounts receivable — affiliated companies		120,806	
— others		261,307	
Accrued interest		44,101	
Concentrates valued at estimated net return under firm sales contracts less advances thereon		3,002,812	
Mining milling and refinery supplies:			
Valued at average cost.		1,570,196	
Valued at possible amount of realization		53,800	
Prepaid expenses		69,070	
Special refundable tax		141,113	
Income tax instalments overpaid		131,681	
Recoverable taxes and mining duties — Note 4		38,940	\$18,156,788

INVESTMENTS AT COST — ANNEX 1

Subsidiary companies not consolidated:			
Shares of Courvan Mining Company Limited	\$	464,664	
Other shares, debentures and first mortgage bonds		1,985,169	
Loans and advances		354,190	2,804,023
Affiliated company:			
Shares.		29,716	
Loans and advances		2,775	32,491
Mortgages receivable from employees and director			47,594
Other securities			262,840
			310,434

FIXED ASSETS:

Real estate at cost		111,175	
Mining properties, claims and concessions at cost		547,898	
Buildings, plant and equipment at cost, reduced by proceeds of sales, less accumulated depreciation — \$2,282,651 — Note 5.		22,842	
Land, buildings, plant and equipment at cost, less accumulated depreciation — \$6,038,652		8,003,925	8,685,840
OUTSIDE EXPLORATION EXPENDITURES less amounts written off			1,009,283
PRE-PRODUCTION EXPENDITURES, less amounts written off.			8,166,264
DEFERRED EXPENSES (includes \$76,540 for amalgamation and reorganization).			96,223
			<u>\$39,261,346</u>

Approved on behalf of the Board of Directors:

J. JACQUES BEAUCHEMIN
LUCIEN C. BÉLIVEAU

The accompanying notes are part of the financial statements.

COMBINED BALANCE SHEET

As at September 2, 1969

LIABILITIES

CURRENT LIABILITIES:

Accounts payable — affiliated companies	\$ 8,441	
— others	563,499	
Wages payable	100,256	
Unclaimed dividends	11,413	
Provision for Quebec Mining duties, less prepayments	521,146	
Mortgage instalment due December 23, 1969 plus accrued interest	<u>7,731</u>	\$ 1,212,486

MORTGAGE on real estate, bearing 3% interest per annum, payable in annual instalments and maturing December 23, 1972	28,633	
less: instalment maturing in 1969	<u>7,158</u>	21,475

Minority interest in subsidiaries

Nigadoo River Mines Limited	77,687	
Weedon Mines Ltd.	<u>56,250</u>	133,937

INTEREST OF OUTSIDE SHAREHOLDERS

Sullivan Mining Group Ltd :

Capital Stock:

Authorized — 10,000,000 shares without par value		
Issued and fully paid —		
8,400,000 shares	\$11,242,600	
Less: 4,675,000 shares held by East Sullivan Mines Limited	<u>6,257,042</u>	4,985,558
Combined contributed surplus — statement 3		2,074,105
Combined retained earnings — statement 4		<u>14,268,026</u>
Interest of 3,725,000 shares held by outsiders		21,327,689

East Sullivan Mines Limited:

Authorized, issued and fully paid		
4,675,000 shares without par value	4,250,000	
Less: 1,828,968 shares held by Sullivan Mining Group Ltd.	<u>1,662,697</u>	2,587,303
Combined contributed surplus — statement 3		426,450
Combined retained earnings — statement 4		<u>13,552,006</u>
Interest of 2,846,032 shares held by outsiders		16,565,759
		<u>\$39,261,346</u>

The accompanying notes are part of the financial statements.

SULLIVAN MINING GROUP LTD.

and

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

2

COMBINED STATEMENT OF EARNINGS

For the year ended August 31, 1969

REVENUE FROM METAL RECOVERIES — Production	\$23,916,290	
Less: Cost of realization and freight	<u>8,072,470</u>	\$15,843,820
DEDUCT:		
Surface exploration and mine development expense	253,906	
Mining expense	4,347,361	
Milling expense	1,410,574	
Ore trucking	86,452	
General mine overhead	540,127	
General administration expense	616,015	
Depreciation of buildings, plant and equipment	1,299,508	
Amortization of pre-production expenses	<u>922,755</u>	9,476,698
OPERATING PROFITS.		6,367,122
Deduct:		
Outside exploration expenses written-off	214,035	
Net recuperation and closing down expenses of closed and idle properties	101,248	
Amortization of bond expenses of subsidiary	<u>1,333</u>	316,616
		<u>6,050,506</u>
OTHER INCOME:		
Interest from subsidiary companies — not consolidated	46,838	
Gain on reimbursement of demand note	74,660	
Other interest	559,416	
Dividends	52,247	
Profit on sales of bonds	30,242	
Profit on sales of fixed assets	<u>7,763</u>	771,166
		<u>6,821,672</u>
NON RECURRING INCOME:		
Profit on sales of shares of an amalgamated company		59,153
		<u>6,880,825</u>
NET PROFIT BEFORE TAXES		
Provisions for Federal and Provincial Income taxes	223,819	
Provision for Quebec mining duties	<u>765,970</u>	989,789
		<u>5,891,036</u>
ADD: Portion of loss of Nigadoo River Mines Limited applicable to minority interests		24,824
NET COMBINED EARNINGS, carried to Retained Earnings		<u>\$ 5,915,860</u>
INTEREST OF THE OUTSIDE SHAREHOLDERS:		
3,725,000 shares Sullivan Mining Group Ltd.	3,353,595	
2,846,032 shares East Sullivan Mines Limited	<u>2,562,265</u>	
<u>6,571,032</u> shares — \$0.900293 per share		<u>\$ 5,915,860</u>

The accompanying notes are part of the financial statements.

SULLIVAN MINING GROUP LTD.

and

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

3

COMBINED STATEMENT OF CONTRIBUTED SURPLUS

As at September 2, 1969

	Total	Sullivan Mining Group Ltd.	East Sullivan Mines Limited
Balance at beginning of period	\$ 5,377,680	\$ 4,677,177	\$ 700,503
DEDUCT:			
Portion applicable to intercompany holdings	2,877,125	2,603,072	274,053
Balance at September 2, 1969	<u>\$ 2,500,555</u>	<u>\$ 2,074,105</u>	<u>\$ 426,450</u>

COMBINED STATEMENT OF RETAINED EARNINGS

As at September 2, 1969

4

	Total	Sullivan Mining Group Ltd.	East Sullivan Mines Limited
Balance at beginning of year	\$20,118,551	\$12,882,456	\$ 7,236,095
ADD:			
Excess of the value of intercompany holdings over their cost	14,898,283	6,816,682	8,081,601
	<u>35,016,834</u>	<u>19,699,138</u>	<u>15,317,696</u>
DEDUCT:			
Portion applicable to intercompany holdings	16,956,145	10,963,508	5,992,637
	<u>18,060,689</u>	<u>8,735,630</u>	<u>9,325,059</u>
ADD:			
Winding-up dividends received from subsidiaries in the process of winding-up:			
Hastings Mining and Development Co. Ltd.	\$ 2,933,702		
Cupra Mines Ltd.	2,494,279		
Excess of the value of holdings in subsidiaries over their cost	1,479,021		
Adjustment of prior years' income taxes	<u>18,646</u>		
	<u>6,925,648</u>	<u>3,926,025</u>	<u>2,999,623</u>
	<u>24,986,337</u>	<u>12,661,655</u>	<u>12,324,682</u>
DEDUCT:			
Net dividends paid during the year:			
Sullivan Mines Ltd.	1,078,404		
Sullico Mines Limited	53,039		
Hastings Mining and Development Co. Ltd.	8,423		
East Sullivan Mines Limited	<u>1,552,392</u>		
Interest charged to consolidated companies in previous years	238,881		
Adjustment for loss in copper concentrates for previous year in subsidiary	<u>151,026</u>		
	<u>3,082,165</u>	<u>1,747,224</u>	<u>1,334,941</u>
	<u>21,904,172</u>	<u>10,914,431</u>	<u>10,989,741</u>
ADD:			
Net combined earnings for period — Statement 2	5,915,860	3,353,595	2,562,265
Balance as at September 2, 1969	<u>\$27,820,032</u>	<u>\$14,268,026</u>	<u>\$13,552,006</u>

The accompanying notes are part of the financial statements.

SULLIVAN MINING GROUP LTD.

Annex 1

and

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

COMBINED SCHEDULE OF INVESTMENTS

As at September 2, 1969

		Cost	Market value
MARKETABLE SECURITIES:			
Bonds		\$ 4,187,539	\$ 4,195,198
SHARES:			
Banks		421,988	568,185
Public utilities		316,415	279,839
Industries		28,577	35,241
Trusts and financial institutions.		242,168	240,714
		1,009,148	1,123,979
		<u>\$ 5,196,687</u>	<u>\$ 5,319,177</u>
	Shares held		
SUBSIDIARIES NOT CONSOLIDATED			
SHARES:			
Courvan Mining Company Limited	2,243,765	\$ 464,664	\$ 560,941
OTHER SHARES AND DEBENTURES:			
SHARES:			
Brunswick Tin Mines Limited	2,340,000	\$ 351,005	} No market value
Brompton Mines Ltd.	600,007	1,807	
Chester Mines Limited	1,059,007	68,441	
Eastern Explorers Corporation	550,006	20,040	
Federal Metals Corporation	1,925,655	928,178	
		1,369,471	
DEBENTURES:			
Chester Mines Limited, 6½%, August 31, 1974	\$ 654,000	615,698	
		<u>\$ 1,985,169</u>	
LOANS AND ADVANCES:			
Brunswick Tin Mines Limited		\$ 212,100	
Chester Mines Limited		126,000	
Courvan Mining Company Limited		7,000	
Eastern Explorers Corporation		3,090	
Brompton Mines Ltd.		6,000	
		<u>\$ 354,190</u>	
AFFILIATED COMPANY:			
SHARES:			
Peninsula Metals Corporation	300,007	\$ 29,716	} No market value
LOANS AND ADVANCES:			
Peninsula Metals Corporation		\$ 2,775	
OTHER SECURITIES:			
Adelaide Mining Ltd.	16,666 ⁴ / ₆	\$ 1,010	
Clinton Copper Mines Ltd. — Common	411,138	—	
Clinton Copper Mines Ltd. — 4% preferred	79,403	74,495	
Corpex — 7% preferred	122	1,220	
Mistassini Exploration	5,000	5,000	
Sullipek Mines Inc.	562,500	51,515	
Sullipek Mines Inc., 10%			
First mortgage income bonds			
May 15, 1973, interest payments subject to operating profits	\$ 162,000	129,600	
		<u>\$ 262,840</u>	

The accompanying notes are part of the financial statements.

SULLIVAN MINING GROUP LTD.

Annex 2

and

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

SUBSIDIARY COMPANIES NOT CONSOLIDATED

As at September 2, 1969

	Brompton Mines Ltd.	Brunswick Tin Mines Limited	Chester Mines Limited	Eastern Explorers Corporation	Federal Metals Corporation	Courvan Mining Company Limited
% of interest	80%	78%	61.07%	73.33%	70.74%	56.09%
Current assets	\$ 74	\$ 32,519	\$ 937	\$ 45	\$ 57,236	\$ 357,428
Investment in note maturing February 7, 1971						100,000
Buildings and equipment		90,244	13,500	3,051		
Deferred expenditures	19,915	596,133	1,242,338		794,096	529,867
Mining properties, licences, rights, claims and concessions (see note "A" below)	114,500	79,000	75,000	300,000	1,000,000	268,142
	<u>\$ 134,489</u>	<u>\$ 797,896</u>	<u>\$1,331,775</u>	<u>\$ 303,096</u>	<u>\$1,851,332</u>	<u>\$1,255,437</u>
Current liabilities:						
Parent company		72,808				
Others		95,984	810			34,733
Loans payable to parent company . .	6,000	212,100	126,000	3,090		7,000
Long-term debt — Debentures issued			924,000			
Expenses to be reimbursed by the issue of shares and debentures of the company	15,982		107,558		56,961	
Capital stock — net of discount . .	112,507	417,004	173,407	300,006	1,794,371	1,502,585
Deficit						(288,881)
	<u>\$ 134,489</u>	<u>\$ 797,896</u>	<u>\$1,331,775</u>	<u>\$ 303,096</u>	<u>\$1,851,332</u>	<u>\$1,255,437</u>

NOTE A — The amounts at which these items are recorded does not purport to represent their present and future value.

The accompanying notes are part of the financial statements.

SULLIVAN MINING GROUP LTD.

and

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

Note 1

- A) The balance sheet is prepared for the purpose of establishing the equity interest of the outside shareholders of Sullivan Mining Group Ltd. and East Sullivan Mines Limited respectively in the total combined net worth of the companies mentioned after eliminating the reciprocal interest between Sullivan Mining Group Ltd. and East Sullivan Mines Limited.
- B) The balance sheet as at September 2, 1969 takes into account the combination of:
- Opening balance sheet of Sullivan Mining Group Ltd. as at September 2, 1969 giving effect to the amalgamation of Sullivan Mines Ltd., Sullico Mines Limited and Quebec Lithium Corporation consolidated with the following subsidiaries:
Nigadoo River Mines Limited (94.53%), Weedon Mines Ltd. (87.5%) and D'Estrie Mining Company Ltd. (100%), the former company being in production while the other two are, according to management, preparing for production;
 - Balance sheet of East Sullivan Mines Limited as at August 31, 1969 after giving effect to the exchange of its holdings in Sullico Mines Limited and Sullivan Mines Ltd. for shares of Sullivan Mining Group Ltd. as at September 2, 1969.

Note 2

- A) Subsidiaries not consolidated in the balance sheet of Sullivan Mining Group Ltd.:

The following companies have not been consolidated because they are at the exploration stage only and are not preparing for production:

	% of interest
Courvan Mining Company Ltd.	56.09
Brunswick Tin Mines Limited	78.00
Brompton Mines Ltd.	80.00
Chester Mines Limited	61.07
Eastern Explorers Corporation	73.33
Federal Metals Corporation	70.74

- B) Appearing on annex 2 is a summary showing total essential data relating to the above mentioned subsidiaries.

Note 3

The combined earnings appearing on statement 2 result from a combination of the following:

- A) The earnings of Sullivan Mines Ltd., Sullico Mines Limited and Quebec Lithium Corporation as if these companies had been amalgamated for the complete fiscal year ended August 31, 1969 instead of as at September 2, 1969, the date at which the amalgamation took place.
- B) The loss of Nigadoo River Mines Limited for the year ended August 31, 1969.
- C) The earnings of Cupra Mines Ltd. from September 1, 1968 to May 31, 1969 (prior to the sale of its net assets to Quebec Lithium Corporation).
- D) The earnings of Hastings Mining and Development Co. Ltd. from September 1, 1968 to March 5, 1969 (date of distribution of assets).
- E) The earnings of East Sullivan Mines Limited for the year ended August 31, 1969.

All adjustments and eliminations materially affecting the combined financial statements were made.

Note 4 — Pending legal procedures against the Sullivan Mining Group Ltd.:

- A) Legal proceedings have been instituted against Hastings Mining and Development Co. Ltd. and Sullivan Mines Ltd. and their directors by two (2) former shareholders of Hastings Mining and Development Co. Ltd. for the purpose of cancelling the sale of the assets of Hastings Mining and Development Co. Ltd. to Sullivan Mines Ltd. The sale agreement dated October 18, 1968 between the two companies was approved at a special general meeting of the shareholders of both companies held on November 21, 1968.

The proceedings have been contested and in the opinion of counsel for the said companies and directors, they are ill-founded in fact and in law.

- B) Objections to assessments for additional mining duties for the fiscal year 1966 have been lodged. These assessments together with similar provisions for the fiscal years 1968 and 1969 have been duly accounted for in the books of the amalgamated companies.
- C) No provision has been made in the financial statements for assessments for additional taxes from the Minister of Revenue of Quebec for the fiscal periods 1965-1968 which are being contested by the companies which have amalgamated, nor for the subsequent periods. Quebec Lithium Corporation has deposited \$100,000 Province of Quebec bonds as a guarantee for the above mentioned claims as well as those of a similar nature against certain other companies of the Sullivan Mining Group Ltd.
- D) Legal proceedings have been instituted against Sullico Mines Limited whereby the Plaintiffs are claiming 4/5 of the 340,000 escrowed shares of Sullipek Mines Inc. to be issued and allotted to Sullico Mines Limited and alternatively failing delivery of the claimed shares, the Plaintiffs have claimed the sum of \$1,000,000 of damages against Sullico Mines Limited. This litigation has arisen from an option granted by Sullico Mines Limited to Terra Nova Explorations Ltd. on certain claims situated in the Gaspé area of the Province of Quebec.

These proceedings have been contested by Sullico Mines Limited and according to the company's counsel, these proceedings are ill-founded in fact and in law.

Note 5

It is the intent of management to continue the procedure of crediting the proceeds from sales of mine plant and equipment of two closed down mines against the cost of fixed assets until such time as the proceeds exceed the cost, the excess then being credited to earnings;

Furthermore, management believes that final realization of the remaining assets will exceed the net value appearing on the balance sheet.

AUDITORS REPORT TO THE DIRECTORS

We have examined the above combined balance sheet and the combined Statements of earnings, retained earnings and contributed surplus as at September 2, 1969, prepared for the purpose of determining the interest of the outside shareholders, excluding that of Sullivan Mining Group Ltd. and of East Sullivan Mines Limited. These statements are based on the opening balance sheet of Sullivan Mining Group Ltd. as at September 2, 1969 consolidated with certain of its subsidiaries (Note 1), the verified statement of earnings for the fiscal year ended August 31, 1969 of the companies which amalgamated on September 2, 1969 to form Sullivan Mining Group Ltd. (Sullivan Mines Ltd., Sullico Mines Limited and Quebec Lithium Corporation) and the financial statements of East Sullivan Mines Limited as at August 31, 1969 which have also been verified.

In our opinion, these financial statements, when read with the notes relating thereto, present fairly the interest of the outside shareholders of Sullivan Mining Group Ltd. and East Sullivan Mines Limited as at September 2, 1969, as if the amalgamation and the ensuing changes had been in effect from the beginning of the fiscal year ended August 31, 1969.

Montreal, November 21, 1969.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

Board of Directors

Chairman of the Board
JEAN BEAUCHEMIN

President
J. JACQUES BEAUCHEMIN, Q.C.*

Executive Vice-President
ANDRÉ BEAUCHEMIN, Eng.*

Vice-President (Mines)
LUCIEN C. BÉLIVEAU, Eng.*

Other Directors
CLAUDE BEAUCHEMIN, Attorney
P. ERNEST BEAUCHEMIN, Q.C.
ALBERT DOYON, Economist
MAJOR JACQUES GAUVREAU
ANDRÉ LATREILLE, Eng.

* Executive Committee

Other Officers

Secretary-Treasurer
RÉAL J. LAFLEUR

Assistant Secretary-Treasurer
FERNAND CORDEAU, C.A.

Exploration Manager
GILLES CARRIÈRE, Eng.

Manager Geology (Mines)
BORIS S. KARPOFF, Eng.

Registrar and Transfer Agents

Guaranty Trust Company of Canada :
Montreal – Toronto

Bankers Trust Company :
New York

Auditors

Maheu, Noël, Anderson, Valiquette & Associés
Montreal

Shares Listed

Canadian Stock Exchange
Toronto Stock Exchange

